

AMENDED IN SENATE JUNE 7, 2012  
AMENDED IN ASSEMBLY MAY 9, 2012  
AMENDED IN ASSEMBLY APRIL 26, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1747**

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**Introduced by Assembly Member Feuer**

February 17, 2012

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An act to amend Section 10173.2 of, and to add Sections 10113.71 and 10113.72 to, the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL’S DIGEST

AB 1747, as amended, Feuer. Life insurance: nonpayment premium lapse: notice.

Existing law requires that life insurance policies contain certain provisions, including, but not limited to, an individual life insurance policy notice of the right to cancel a policy. Existing law requires life insurers to provide certain notices to individual life insurance policyholders, including, but not limited to, a notice of premium increases.

This bill would require that every life insurance policy issued or delivered in this state contain a provision for a grace period of not less than 60 days from the premium due date that provides that where the premium owed is paid fully within the grace period the policy remains in force and a provision that gives force. *The bill would also require an insurer to give the applicant for an individual live insurance policy the right to designate at least one person, in addition to the applicant, to receive notice of lapse or termination of a policy for nonpayment of premium. The bill would require an insurer to provide each applicant*

with a form, as specified, to make the designation and to notify the insured annually of the right to change the designation. The bill would prohibit a notice of pending lapse and termination from being effective unless mailed by the insurer to the named insured, a named designee, and a known assignee or other person having an interest in the policy at least 30 days prior to the effective date of termination if termination is for nonpayment of premium. The bill would also make conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 10113.71 is added to the Insurance Code,  
2 to read:  
3 10113.71. (a) Every life insurance policy issued or delivered  
4 in this state shall contain a provision for a grace period of not less  
5 than 60 days from the premium due date. The provision shall  
6 provide that if the premium owed is fully paid within the grace  
7 period the policy shall remain in force.  
8 (b) (1) A notice of pending lapse and termination of a life  
9 insurance policy shall not be effective unless mailed by the insurer  
10 to the named insured, a designee named pursuant to Section  
11 10113.72, and a known assignee or other person having an interest  
12 in the policy, at least 30 days prior to the effective date of  
13 termination if termination is for nonpayment of premium.  
14 (2) This subdivision shall not apply to nonrenewal.  
15 (3) Notice shall be given to the insured and to the designee by  
16 first-class United States mail, ~~postage prepaid, not less than~~ *within*  
17 30 days after a premium is due and unpaid. However, notices made  
18 to assignees pursuant to this section may be done electronically  
19 with consent of the assignee.  
20 (c) For purposes of this section, a life insurance policy includes,  
21 but is not limited to, an individual life insurance policy and a group  
22 life insurance policy, except where otherwise provided.  
23 SEC. 2. Section 10113.72 is added to the Insurance Code, to  
24 read:  
25 10113.72. (a) An individual life insurance policy shall not be  
26 issued or delivered in this state until the applicant has been given  
27 the right to designate at least one person, in addition to the

applicant, to receive notice of lapse or termination of a policy for nonpayment of premium. The insurer shall provide each applicant with a form to make the designation. That form shall include the name, address, and telephone number of at least one person, in addition to the applicant, who is to receive notice of lapse or termination of the policy for nonpayment of premium.

(b) The insurer shall notify the insured annually of the right to change the written designation or designate one or more persons. The insured may change the designation more often if he or she chooses to do so.

(c) No individual life insurance policy shall lapse or be terminated for nonpayment of premium unless the insurer, at least 30 days prior to the effective date of the lapse or termination, gives notice to the insured and to the person or persons designated pursuant to subdivision (a), at the address provided by the insured for purposes of receiving notice of lapse or termination. Notice shall be given by first-class United States mail, postage prepaid, ~~not less than~~ *within* 30 days after a premium is due and unpaid.

~~(d) Each individual life insurance policy shall include a provision that, in the event of lapse, provides for reinstatement of coverage, if the insurer is provided with proof of the insured's cognitive impairment or the loss of functional capacity. This option shall be available to the insured if requested within five months after termination and shall allow for the collection of a past due premium, where appropriate. The standard of proof of cognitive impairment or loss of functional capacity shall not be more stringent than the benefit eligibility criteria on cognitive impairment or the loss of functional capacity contained in the policy.~~

SEC. 3. Section 10173.2 of the Insurance Code is amended to read:

10173.2. When a policy of life insurance is, after the effective date of this section, assigned in writing as security for an indebtedness, the insurer shall, in any case in which it has received written notice of the name and address of the assignee, mail to the assignee a written notice, postage prepaid and addressed to the assignee's address filed with the insurer, not less than 30 days prior to the final lapse of the policy, each time the insured has failed or refused to transmit a premium payment to the insurer before the commencement of the policy's grace period or before the notice is mailed. The insurer shall give that notice to the

1 assignee in the proper case while the assignment remains in effect,  
2 unless the assignee has notified the insurer in writing that the notice  
3 is waived. The insurer shall be permitted to charge the insured  
4 directly or against the policy the reasonable cost of complying  
5 with this section, but in no event to exceed two dollars and fifty  
6 cents (\$2.50) for each notice.

7 As used in this section, “final lapse of the policy” means the  
8 date after which the policy will not be reinstated by the insurer  
9 without requiring evidence of insurability or written application.